

Message Text

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17

ACTION EUR-12

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INFO USMISSION EC BRUSSELS

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LISBON

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY ROME

AMEMBASSY THE HAGUE

C O N F I D E N T I A L BONN 11715

E.O. 11652: GDS

TAGS: PFOR, EFIN, EEC, UN

SUBJECT: EUROPEAN COUNCIL, JULY 16-17

REF: USEC 6515

1. THIELE IN CHANCELLOR'S OFFICE BRIEFED EMBOFFS JULY 18 ON OUTCOME OF EUROPEAN COUNCIL MEETINGS, WITH PARTICULAR FOCUS ON DISCUSSIONS AT RESTRICTED LUNCHEON.

2. RAW MATERIALS: ACCORDING TO THIELE, CHANCELLOR SCHMIDT SUCCEEDED IN OBTAINING SUPPORT FROM ALL NINE FOR A COMMON RAW MATERIALS POLICY BASED ON STABILIZATION OF EXPORT EARNINGS APPROACH. THE NINE WOULD ALSO EXAMINE INDIVIDUAL COMMODITIES TO SEE WHETHER
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AGREEMENTS DESIGNED TO MODERATE PRICE FLUCTUATIONS

WOULD BE USEFUL, BUT MAIN FOCUS WOULD BE ON STABILIZING EXPORT EARNINGS. THE NINE ALSO AGREED WITH SCHMIDT'S PROPOSAL TO FINANCE A LARGE PART OF THIS PROGRAM BY ESTABLISHING A FUND FROM PROFITS ON THE SALE OF IMF GOLD. THE CHANCELLOR REGARDS THIS AGREEMENT AS AN IMPORTANT VICTORY, SINCE GERMANY HAS BEEN FOR SOME TIME ADVOCATING JUST THIS APPROACH. THIELE ACKNOWLEDGED THAT A NUMBER OF QUESTIONS WERE NOT TOUCHED UPON, SUCH AS CRITERIA FOR PARTICIPATION BY LDC'S, WHETHER SCHEME SHOULD BE BASED ON LOME OR IMF MODEL, OTHER SOURCES OF FINANCING, ETC. HE ALSO EXPRESSED A DEGREE OF PERSONAL CONCERN THAT SOME PARTICIPANTS IN THE LUNCHEON MIGHT FIND IT DIFFICULT TO ADHERE TO THIS INFORMAL COMMITMENT ONCE THEY START TALKING WITH THEIR EXPERTS, BUT HE HASTENED TO ADD THAT THE CHANCELLOR IS CONVINCED HE HAS THIS AGREEMENT IN HIS POCKET.

3. FRENCH PROPOSAL FOR ECONOMIC AND MONETARY SUMMIT MEETING: IN A FORCEFUL PRESENTATION STRESSING THE NEED TO BROADEN SUMMIT-LEVEL COORDINATION OF ECONOMIC POLICY TO INCLUDE THE US AND JAPAN, GISCARD SUCCEEDED IN OVERCOMING SCHMIDT'S INITIAL HESITANCY AND IN WINNING HIS SUPPORT. AGENDA WOULD FOCUS PRIMARILY ON COORDINATION OF DEMAND MANAGEMENT POLICIES DESIGNED TO RESTORE ECONOMIC GROWTH, WITH INTERNATIONAL MONETARY QUESTIONS PLAYING SECONDARY ROLE. DISCUSSIONS COULD BUILD ON COORDINATION ALREADY TAKING PLACE WITHIN EC. IN GERMAN VIEW, CHIEF GOAL WOULD BE TO ADVANCE TIMING OF ECONOMIC REVIVAL IN ORDER TO AMELIORATE UNEMPLOYMENT PICTURE OTHERWISE ANTICIPATED FOR NEXT WINTER. SUMMIT SESSION WOULD THUS HAVE TO TAKE PLACE FAIRLY QUICKLY, PROBABLY IN SEPTEMBER.

4. EC COORDINATION OF ECONOMIC POLICY: THE FRG AND FRANCE BOTH AGREED TO TAKE ADDITIONAL STEPS TO STIMULATE THEIR ECONOMIES. THE BENELUX COUNTRIES WILL ALSO TAKE SOME FURTHER EXPANSIONARY MEASURES. THE SCHMIDT-GISCARD SUMMIT, NOW SET FOR JULY 25-26, WILL FOCUS ON PARTICULAR MEASURES EACH COUNTRY WILL TAKE. FINANCE MINISTER APEL AND ECONOMICS MINISTER
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FRIDERICH'S ARE COMING BACK FROM VACATIONS TO PARTICIPATE. SCHMIDT IS ALSO MEETING WITH WILSON IN HAMBURG ON JULY 24, BUT THIS WILL BE AN INFORMAL MEETING UNDER FOUR EYES. THE AGENDA FOR THIS MEETING INCLUDED THE ECONOMIC SITUATION IN THE UK, CSCE, THE MIDEAST, AND ENERGY, BUT THIS MAY BE MODIFIED SOMEWHAT IN LIGHT OF RECENT DISCUSSIONS AT THE EUROPEAN COUNCIL MEETING AND ELSEWHERE.

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